Asahi Group Holdings, Ltd.

Q1 2023 Financial Results Briefing Conference Call Summary

Date & time: Friday May 12, 2023; 18:00–19:00

Presenter: Kaoru Sakita, Director EVP and CFO

◆Revenue / Core Operating Profit (P3)

- Total revenue in the first quarter rose 7.9% year on year to 556.3 billion yen with revenue growth in all businesses, mainly driven by price revisions and continued premiumization.

- Total core operating profit grew 24.3% year on year to 32.3 billion yen mainly due to higher profit in Japan and Europe as a result of price revisions although profit declined in Oceania owing to variable costs.

- We do not disclose quarterly earnings forecasts. However, total progress relative to the internal plan exceeded the plan for core operating profit, with Europe and Oceania in line with the plan, while the Japan Alcohol Beverages Business and Non-Alcohol Beverages Business both exceeded the plan.

- If we include the impact of currency translation, revenue grew 12.0% year on year and core operating profit rose 31.0% year on year.

◆Operating Profit / Profit (P4)

- Operating profit rose 254.0% year on year to 32.0 billion yen, mainly due to the absence of impairment losses associated with SCM reorganization in Japan recorded in the previous year.

- Profit attributable to owners of the parent rose 359.4% year on year, mainly due to the increase in operating profit. Adjusted profit, excluding impairment loss and other items, rose 50.0% year on year, with each level of profit tracking ahead of the plan.

◆Japan (P5)

- Total revenue in the three-month period from January to March increased 6.0% year on year, largely in line with the plan, mainly driven by price revisions in each business in addition to a recovery in the on-premise market in the Alcohol Beverages Business.

- Total core operating profit rose 48.7% year on year as profit growth in the Alcohol Beverages Business and Non-Alcohol Beverages Business offset a decrease in profit in the Food Business mainly due to variable cost increases.

- Core operating profit in the Food Business was slightly lower than the plan but was higher than expected in the Alcohol Beverages Business and Non-Alcohol Beverages Business, so total core operating profit tracked above the plan.

◆Japan (Alcohol Beverages: Revenue/Sales Volume) (P6)

- In the three-month period from January to March, sales volume of beer-type beverages increased by 2-3% year on year on a significant expansion in the overall beer-type beverage market, mainly driven by a recovery in the on-premise market for beer, despite a decline of around 9% in new genre product sales.

- In this environment, the Company's sales of new genre product and happoshu declined, but total revenue from beer-type beverages rose 5.2% year on year, driven by strong sales of Super Dry, including the recovery in the on-premise market, and the effect of price revisions.

- Total sales tracked slightly lower than the plan, mainly because off-premise sales were lower than expected, which included the effect of better-than-expected recovery in the on-premise market.

- In the categories other than beer-type beverages, total revenue exceeded the plan with revenue from RTD slightly lower year on year due to the impact of the market downturn, while revenue from whiskey and spirits, wine, and shochu exceeded the plan due to the recovery in the on-premise market.

◆ Japan (Alcohol Beverages: Core Operating Profit) (P7)

- Core operating profit rose 49.2% year on year, mainly driven by the effect of higher revenue, primarily for beer, and greater efficiency in advertisement and sales promotion expenses despite variable cost increases, mainly for raw materials, and increases in other expenses.

- Total core operating profit exceeded the plan due to control of variable cost increases, including some recording delays, as well as greater efficiency in advertising and sales promotion expenses and other expenses, while the impact of changes in sales was in line with the plan.

- At this point in time, we will not revise business results in line with the additional price revisions from October announced last month. However, we will revise the plan as necessary, taking into account market trends and progress on cost increases from the second quarter onwards, as well as the need to strengthen marketing in anticipation of the revised liquor tax and post-price revisions.

◆Japan (Non-Alcohol Beverages: Sales Volume) (P8)

- Amid a decline of around 1% year on year in the overall non-alcohol beverage market in the three-month period from January to March, total sales volume at Asahi Soft Drinks Co., Ltd. rose 2.4% year on year to 53 million cases despite a decline in sales of lactic acid drinks and coffee due to an increase in sales of other product categories such as carbonated drinks.

- In addition, revenue also slightly exceeded the plan, up 3.8% year on year, mainly due to greater-than-expected improvement in the unit sales price.

- With the commencement of a business alliance with DyDo DRINCO, INC. in the vending machine vending machine activities in January this year, the actual figures for 2023 have been reclassified based on the new scheme. Excluding the effect of this reclassification, revenue rose 10.6% year on year.

◆Japan (Non-Alcohol Beverages: Breakdown of Changes in Profit)
(P9)

- Total core operating profit rose 40.8% year on year due to the effect of higher revenue, including price revisions, and reductions in material-related costs and greater efficiency in other costs, although variable costs such as sugar and PET resin increased significantly.

- Total core operating profit was slightly above the plan due to the effect of better-than-expected improvement in the unit sales price and greater efficiency in overall fixed costs.

- From the second quarter onward, in addition to ongoing cost increases, we will strengthen advertising and sales promotions for the peak season. Thus, we will aim to steadily achieve the annual plan while taking account of progress in these areas.

◆Europe (P10)

- In the three-month period from January to March, total sales volume fell 3.4% year on year, mainly due to the effect of lower volume in some markets and Poland where the price revisions at the beginning of the year had a temporary impact on demand, despite an increase in sales volume in some countries such as the Czech Republic.

- Total revenue increased 10.6% year on year, largely in line with the plan, due to the 17.3% increase in the sales unit price from the effect of price revisions in various countries and growth in the premium category.

- Core operating profit rose 98.1% year on year, mainly driven by the effect of higher revenue, including unit prices, although cost increases in manufacturing and the decline in sales volume had an impact.

- Core operating profit was largely in line with the plan due to control of cost increases, despite an increase in costs due to higher container deposits in Poland, which was not factored into the plan.

- In terms of consumption trends, there are no significant changes from the trends so far, and we have been able to maintain and expand the fundamental strength of our total European business, including the recent steady expansion in our share of the off-premise market in five countries, including the Czech Republic, Poland and Romania.

- It will be necessary to monitor changes in consumer confidence due to inflation. However, we will continue unwavering investment in our premiumization strategy in anticipation of the recovery phase of the macro-economic environment.

◆Oceania (P11)

- In the three-month period from January to March, total revenue in the Alcohol Beverages Business and the Non-Alcohol Beverages Business rose 9.3% year on year.

- Breaking down this figure, as shown in the middle of the table, total revenue excluding liquor tax rose 8.9% year on year, mainly owing to sales volume growth centering on mainstay brands, in addition to the effect of price revisions and the recovery in the on-premise market.

- Core operating profit decreased 2.8% year on year, reflecting significant cost increases despite the effect of higher revenue due to such factors as price revisions and improvement in the channel mix.

- However, both revenue and core operating profit were largely in line with the plan.

- The lower part of the table shows the sales trends in the Australian Alcohol Beverage Business. The off-premise market has maintained strong momentum centered on the mainstay beer brands, including Great Northern and Super Dry, but increased slightly year on year due to the negative impact from the inflow into the on-premise market.

- The on-premise market has experienced growth of 20 - 30% year on year, mainly as a reaction to the spread of the Omicron strain of COVID-19 last year, and sales unit prices for beer-type beverages have risen 4.1% year on year, due to the effect of price revisions and a significant improvement in the channel mix.

- In addition, in terms of consumption trends associated with inflation, there are no major changes at present, such as a decline in sales volume or shift to lower priced products, and we will continue aiming to achieve the annual plan through appropriate revenue management and further improvement in cost efficiency.